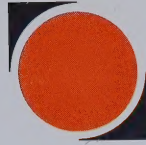


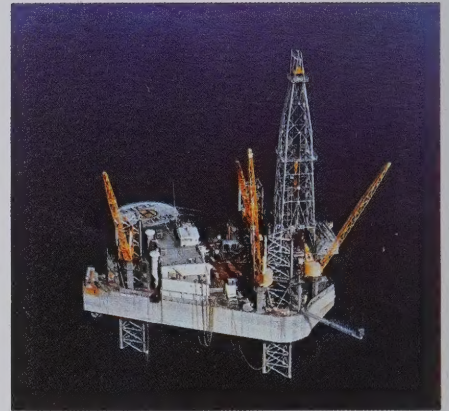
AR26



SUNNINGDALE OILS LIMITED

1974 ANNUAL REPORT





Cover Photograph

Rowan Texas rig drilling at Abu Al Bu Khoosh field offshore Abu Dhabi for Sunningdale Oils Limited and partners.

AR26



**SUNNINGDALE
OILS LIMITED**

CALGARY, ALBERTA, CANADA

INTERIM REPORT

**FOR SIX MONTHS ENDED
OCTOBER 31, 1973**

SUNNINGDALE OILS LIMITED

TO THE SHAREHOLDERS:

Financial

The unaudited results of operations for the six months ended October 31, 1973, show a loss of \$695,460. Exploration and development expenditures totalled \$943,000 for the period.

On October 29, 1973, 500,000 Treasury Shares were sold to the Hambro Group at \$10 per share. The Hambro Group also received an option to purchase a further 200,000 Treasury Shares at \$13 per share. The option expires on December 31, 1974, or after Sunningdale shares have traded for 30 consecutive days at not less than \$15, whichever occurs earlier. The prices obtained of \$10 per share and \$13 per option share compare with the price of \$3.25 per share at our last new issue in June 1972.

Working capital on October 31, 1973, amounted on the basis of unaudited figures to \$5,036,865.

Your Company has interests in 27,373,334 gross acres (5,955,923 net acres) an increase from April 31, 1973's total of 19,185,300 gross acres (4,673,818 net acres).

International Operations

In the Norwegian sector of the North Sea your Company has participated in a wildcat well 3.3 miles East Northeast of its Heimdal gas and condensate discovery on block 25/4. The well encountered hydrocarbons in the same formation as the discovery well, indicating an extension to the Heimdal reservoir. The well was completed in late November. Sunningdale has a 7.381 percent working interest subject to reduction to net 3.875 percent if the Norwegian State Oil Co. exercises in full its option to a working interest of up to 40 percent. In September 1973, a consortium in which your Company has a one-third interest submitted an application for unlicensed acreage offshore Norway in response to the invitation to industry by the Norwegian Government.

Offshore the United Kingdom we have reserved the Odin semi-submersible rig (now under construction in Norway) to drill two wells on our block 16/7 in the North Sea during 1974. The evaluation of seismic continued on our other U.K. blocks and on certain prospective unlicensed acreage. Your Company has joined several strong groups of British, Canadian, French and American companies to apply for licenses on the next round of applications for open acreage offshore the U.K.

Offshore Abu Dhabi the development of the Abu Al Bu Khoosh field in which Sunningdale has 12.25 percent working interest continues on schedule. The first development well spudded October 28th. A 95,000 DWT tanker has been chartered to serve as a captive storage vessel. Inflation and certain design changes have raised the expected development cost to \$50,000,000. Escalation in the price of crude oil is however expected to enhance further the economics of the project.

The second exploratory test on our exploration acreage offshore Abu Dhabi, the Arzanah 1, was spudded on August 4 and drilled to total depth of 12,392'. On December 14, 1973, Amerada Hess Corporation of New York through the Abu Dhabi Ministry made the following press release with respect to this well:

"Amerada Hess Corporation announced that hydrocarbons have been tested from several zones in the Arzanah No. 1 well drilled offshore Abu Dhabi. Testing to date has indicated a production potential in excess of 4,000 bbls/d. of high gravity, low sulphur oil. The well has been suspended and a second well on the Arzanah structure will be commenced immediately.

Amerada Hess is operator for a group which includes Bow Valley Exploration, Pan Ocean Oil Ltd., and Wington Enterprises Ltd."

Sunningdale participates in this property through the Wington Enterprises Ltd. interest to the extent of a 5 percent interest carried free of costs through the first commercial discovery.

Within the Republic of the Maldives an evaluation has been made of 1,250 miles of seismic recorded earlier this year. The seismic indicates the presence of up to 16,000 feet of sediment, much of which may be Paleocene and Eocene. Two further seismic surveys are planned totalling 1,800 miles for 1974 to delineate a number of large structural and stratigraphic anomalies indicated in the 1973 program with the intention of selecting an initial wildcat location for drilling in late 1975.

Offshore Tunisia seismic has been completed on your Company's two concessions, Kuriate and Hamammet Nord. Possible drilling locations are being considered.

On August 21, 1973, the Government of the Republic of Viet Nam awarded Sunningdale two offshore exploration concessions covering 3,396,714 acres. The Company has introduced three partners and retained 25 percent equity. A seismic program of approximately 4,000 miles will be shot over the concession, commencing in December 1973.

In Western Australia Sunningdale completed a 2,600 station gravity program on its exploration permit, E.P. 69. The survey results are currently being interpreted.

Your Company has recently acquired interests in two new concessions. In the central African Republic of Mali, a group headed by Murphy Eastern Oil Corporation has been awarded a concession of 4,015,537 acres. Sunningdale has a 9.5 percent working interest. Offshore Fiji, your Company has assumed a 6.25 percent working interest in a 753,063 acre concession. Reconnaissance seismic has been completed over the Fiji acreage.

Canadian Operations

In Canada Sunningdale has increased its land holdings to 1,016,134 gross (562,913 net) acres, of which



REPORT TO THE SHAREHOLDERS

498,193 gross (227,257 net) acres are located in the province of Alberta. Much of the Alberta acreage is located in gas-prone regions of eastern and central Alberta. Of the acreage outside Alberta, 484,750 gross (314,088 net) acres are located on the Grand Banks offshore Newfoundland, a portion of which is within 75 miles of the Mobil Gulf Adolphus well which encountered encouraging shows of hydrocarbons and approximately 25 miles from the Mobil Gulf Bonniton H-32 well which is currently drilling.

During the past six months, Sunningdale participated in the drilling of nine wells, two of which were completed as gas wells, five of which were dry and abandoned and two of which are currently drilling. Of the latter, one is the Republic Resources Amoco et al Ancona 7-9-39-12W5 which encountered mechanical difficulties at a depth of 11,616 feet. The well was junked and abandoned and a substitute well was commenced. This well is designed to test the Leduc formation in an area where prolific gas reserves have been encountered and is anticipated to reach its objective in early February. The other drilling well is located in the province of Ontario. Four of the wells drilled in this period were drilled at no cost to your Company.

During the next six months, Sunningdale has committed to participate in the drilling of ten additional wells in shallow gas areas of eastern Alberta and in Saskatchewan. It is anticipated that this number will

increase as the drilling season progresses. Several of these wells will be follow-ups to discoveries made on Company lands at Marten Hills East, Lyle Lake and Tofield. Others will be exploratory tests primarily on land obtained by farmout from other companies. In addition, other companies have committed to drill two tests on Company lands. At the date of this writing, the first two wells of a three well program in Saskatchewan have been drilled. The first well was completed as an oilwell and the second has been completed as a potential oilwell awaiting further testing. The Company is participating in this program to the extent of a 25 percent working interest.

Considerable interest in heavy oil potential has been generated in areas of northeastern Alberta where Sunningdale has land holdings. This interest has produced accelerated drilling activity as well as high bonuses for lands in the vicinity of current Sunningdale holdings. Your Company is currently evaluating the potential for heavy oil underlying its properties.

Production from your Company's Pembina property over the last six months totalled 27,273 barrels, an average of 150 BOPD. Your Company is considering additional drilling on this property which could have the effect of significantly increasing Sunningdale's cash flow.

H. Stuart McColl
President

December 15, 1973

SUNNINGDALE OILS LIMITED and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended October 31, 1973

(Unaudited)

	1973	1972
REVENUE		
Oil and gas sales	\$ 92,166	\$ 69,794
Gain on sale of properties	—	34,427
Interest	19,884	76,833
	<u>112,050</u>	<u>181,054</u>
EXPENSES		
Production expense	64,737	62,120
Exploration expense	397,500	205,122
Dry hole costs	21,301	8,000
Property surrenders	2,470	97,385
General and administrative	310,162	215,858
Depletion and depreciation	11,340	9,706
	<u>807,510</u>	<u>598,191</u>
LOSS FOR THE PERIOD	<u>\$695,460</u>	<u>\$417,137</u>

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SUNNINGDALE OILS LIMITED
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS**

For the six months ended October 31, 1973

(Unaudited)

	<u>1973</u>	<u>1972</u>
SOURCE OF FUNDS		
Issue of shares	\$5,008,000	\$2,559,905
Proceeds on sale of properties	—	60,769
	<u>\$5,008,000</u>	<u>\$2,620,674</u>
APPLICATION OF FUNDS		
In operations		
Loss for the period	695,460	417,137
Items not involving funds	13,810	72,853
	<u>681,650</u>	<u>344,284</u>
Acquisition of petroleum and natural gas leases and rights, together with exploration and development thereon	525,074	623,850
Investments and advances	7,274	—
	<u>1,213,998</u>	<u>968,134</u>
INCREASE IN WORKING CAPITAL	3,794,002	1,652,540
Working capital at beginning of period	1,242,863	820,306
WORKING CAPITAL AT END OF PERIOD	<u>\$5,036,865</u>	<u>\$2,472,846</u>



REPORT TO THE SHAREHOLDERS

Sunningdale Oils Limited continued to develop rapidly in its third full year of operations as a public company. The Abu Al Bu Khoosh oilfield offshore Abu Dhabi, in which Sunningdale acquired 12.25 per cent equity last year, is under development and is currently producing some 30,000 barrels of oil per day. Production should increase to approximately 60,000 barrels per day by the end of this year. After payout, Sunningdale's share will be about 7,350 barrels per day which will be sold at fair market value under long term contract. Primary producible reserves are estimated at 140 million barrels with Sunningdale's share 17.15 million barrels.

The Heimdal gas and condensate discovery offshore Norway was declared "commercial" after a second successful exploratory well had been drilled three miles East North East of the discovery well. Development plans for the field are underway.

Oil has also been discovered in another of your Company's concessions offshore Abu Dhabi. The first well on the Arzanah structure tested over 4,000 barrels per day, and the second exploratory well tested over 5,000 barrels per day. Further exploratory drilling will assess the significance of this discovery.

In Canada, a year of successful drilling in which Sunningdale participated in 29 wells has increased the Company's Canadian gas reserves from 7 billion cubic feet to 23 billion cubic feet, and oil reserves from 1.8 million barrels to 2.3 million barrels.

Overseas, Sunningdale has acquired significant new holdings. Two exploration concessions offshore



Angus A. Mackenzie,
Chairman of the Board.

the Republic of Viet Nam were formally awarded to your Company in September, 1973, and Sunningdale is operator of a group of Canadian companies awarded an exploration concession offshore Abu Dhabi in March, 1974. Your Company also obtained interests in two frontier exploration areas in the Republic of Mali and offshore Fiji.

On March 23, 1974, your Company signed a joint venture with the Government of Dubai to gather the associated gas being flared from the two oilfields producing offshore, as the initial phase in the establishment of a natural gas industry within Dubai. Engineering feasibility and design studies are underway for an LPG plant to remove liquids from the natural gas and to deliver dry gas to the Dubai government for internal consumption.

The first exploratory well on your Company's North Sea acreage offshore the United Kingdom is planned for August this year. It will evaluate a prospective structure on block 16/7.

In the last year, Sunningdale spent \$2.4 million on acquiring, exploring and developing oil and gas pro-

perties. Of this expenditure \$1.2 million has been capitalized and \$1.2 million has been charged to income before costs. Five million dollars was raised in October, 1973 by the sale to the Hambro Group of 500,000 treasury shares. Working capital on April 30, 1974 was \$3.9 million.

Your Company's policy over the last three years has been to develop cash flow internally and to concentrate efforts and your funds on a world-wide exploration program. Beginning late 1975, Sunningdale should derive substantial cash flow from its share of Abu Al Bu Khoosh production which has been acquired at minimal cost to your Company. Canadian production will increase next year and, subject to present political uncertainties, should provide increasing cash flow.

Your directors and management look to the future with considerable confidence. Exploration will continue to be, as it has always been, a high risk business. But in a time of acute petroleum shortage, success should be profitable. Governments all over the world are demanding greater control over the development of their resources, but in general are willing to allow a fair return to our industry. Sunningdale has historically concentrated most of its efforts overseas in the major producing and exploration areas of the world, and this practice will be continued.

Thank you for your support in the past year.

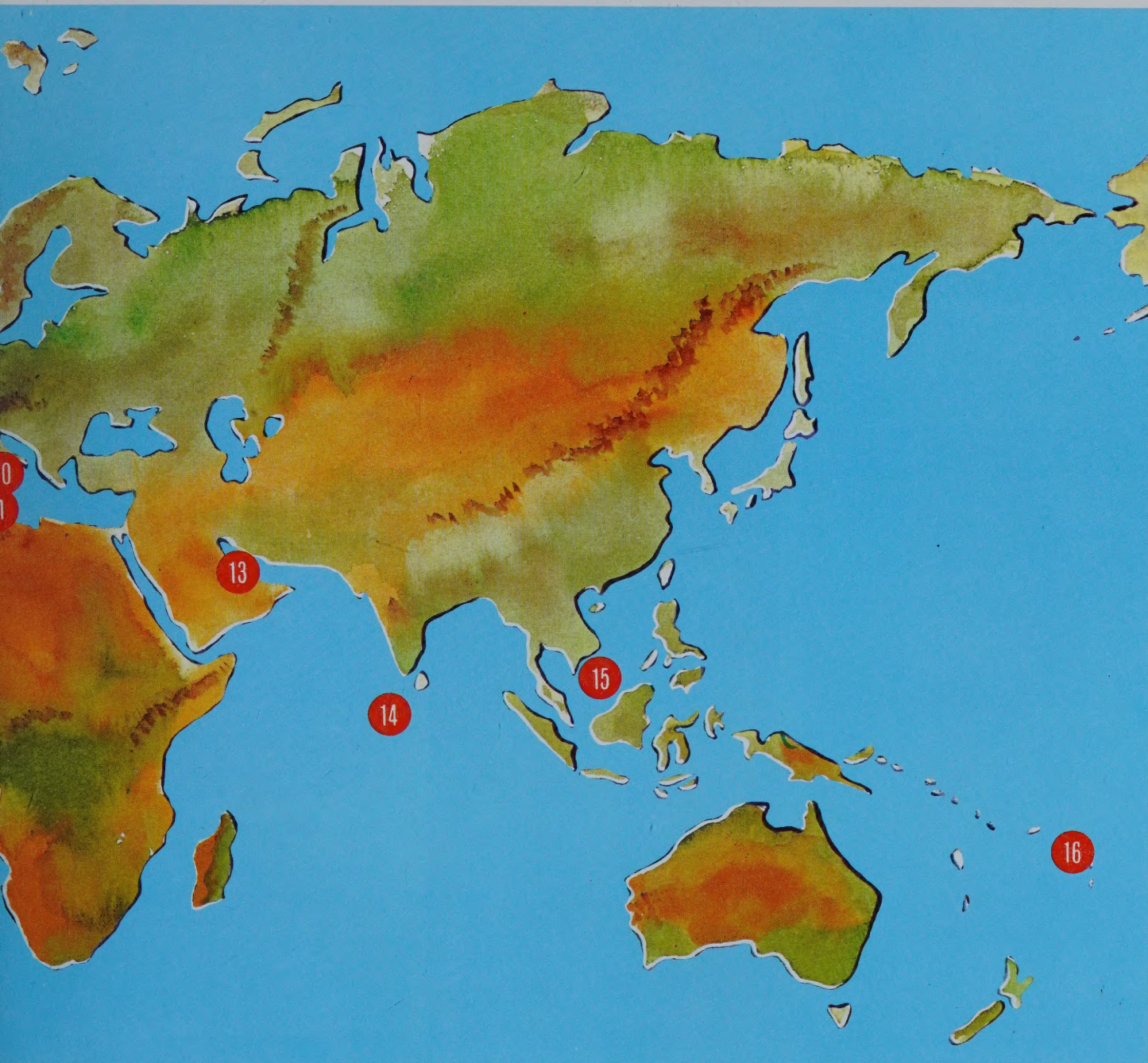
Respectfully submitted on behalf of the Board of Directors.

A A Mackenzie

ANGUS A. MACKENZIE,
Chairman of the Board



Location	Area	Interest	Acreage		Key
			Gross	Net	
Canada	Alberta	Various	577,535	228,341	1
	British Columbia	Various	4,564	1,793	1
	Saskatchewan	25%	4,350	1,087	2
Offshore Canada	East Grand Banks	65%	484,750	315,088	3
	Hudson Strait	65%	30,676	19,939	4
Offshore Norway	Block 25/4	7.381%	129,727	9,575	5
Offshore U.K.	North Sea (16/3, 16/7)	5% plus 5% carried	110,453	11,405	6
		(16/2) 10%	52,879	5,288	6
	West Shetlands	(206/14) 8.33%	50,408	4,199	7
	Celtic Sea	(103/22) 8.33%	63,700	5,306	8
Offshore Netherlands	Block Q-14	13.5%	5,931	801	9
	Block P-4	9.89%	40,021	3,958	9



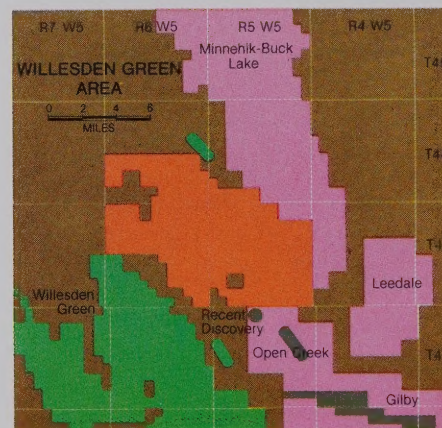
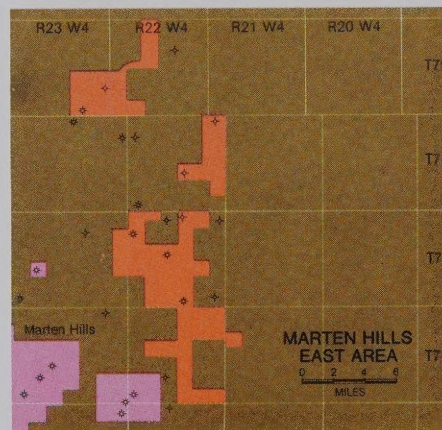
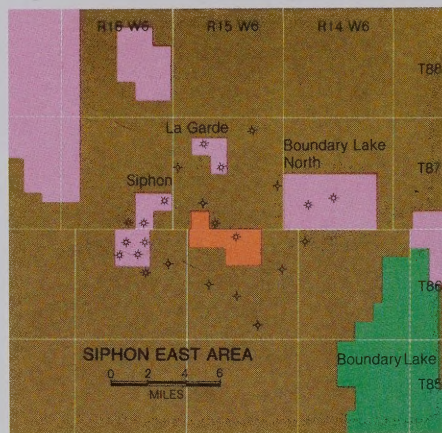
Location	Area	Interest	Acreage		Key
			Gross	Net	
Offshore Sicily	Sicilian Channel	7.5%	110,119	8,259	10
Offshore Tunisia	Kuriate	33.3%	185,822	61,934	11
	Hamamet Nord	37.5%	315,172	118,189	11
Mali	Graben De Gao	9.5%	4,015,537	381,476	12
Offshore Abu Dhabi	Abu Al Bu Khoosh	12.25%	26,997	3,307	13
	Block N	5% carried	583,786	29,189	13
	Areas 5 & 6	25%	696,540	174,135	13
Republic of the Maldives	—	15.675%	14,921,000	2,338,867	14
Offshore Viet Nam	Block 21	25%	1,697,029	424,257	15
	Block 22	25%	1,699,685	424,921	15
Offshore Fiji	—	6.25%	753,063	47,066	16



REVIEW OF OPERATIONS



- Company Lands
- Gas Field
- Oil Field
- Gas Well
- Abandoned Well



EXPLORATION

Sunningdale had a successful year of exploration and on April 30, 1974, had interests in 26,559,744 gross (4,618,380 net) acres. In Canada, the Company participated in 29 wells resulting in five oil discoveries and nine gas discoveries, to give a success ratio of about 50 per cent. Overseas, the Company participated in a successful appraisal well offshore Norway and a discovery and a successful stepout well offshore Abu Dhabi. Seismic surveys were conducted offshore the United Kingdom, Norway, Netherlands, Sicily, Tunisia, Abu Dhabi, the Republic of the Maldives and Viet Nam.

Sunningdale acquired 108,461 gross (7,720 net) additional acres of prospective lands in western Canada. Overseas, Sunningdale was awarded new concessions offshore Viet Nam and Abu Dhabi and onshore Mali and acquired an interest in a licence offshore the Fiji Islands, totalling 8,861,854 gross (1,446,855 net) acres.

In Australia the 1,500,000 acre exploration permit in the Perth Basin of Western Australia and the option over an abandoned gold property in the Murchison Gold Field region of Western Australia were surrendered. The Australian Commonwealth government now discriminates heavily against foreign investment, and the political and economic prospects for foreign companies in natural resource industries there are discouraging. Sunningdale has consequently terminated its activities and written off its investment in Australia.

REVIEW OF OPERATIONS

Seismic surveys conducted on Sunningdale's permits in the Italian Adriatic did not show features considered worth drilling and the permits have been relinquished.

CANADA

Sunningdale increased exploration activities in Canada, particularly in Alberta. A program of land acquisition continued, providing an increase over last year's acreage position of 102,062 gross (5,468 net) acres in Alberta and 4,564 gross (1,793 net) acres in British Columbia. Acreage holdings offshore the East Coast were static. The Company now holds 1,101,875 gross (566,248 net) acres in Canada. Of this total, 577,535 gross (228,341 net) acres are in Alberta.

During the past fiscal year, Sunningdale participated in the drilling of 29 gross (6.87 net) wells, 27 of which were exploratory wildcats. This represents approximately five times the number of wells participated in during the previous year. Results were very encouraging. Of the 29 wells drilled, nine were completed as gas wells, five as oil wells, 14 were dry and abandoned, and one was junked and abandoned. This drilling activity resulted in the discovery of a net 16.15 billion cubic feet of natural gas and 438,000 barrels of oil before royalty. Most of the discoveries have not been developed beyond the initial exploratory stage. Further exploration and development drilling in the vicinity of the discoveries could result in a substantial increase to these reserves.



Gas was discovered in the initial well drilled at Siphon East in northern British Columbia. Subsequent to the drilling of the well, additional lands around the discovery were purchased. Sunningdale holds a 25 per cent interest in the well and 3,260 acres and a 75 per cent interest in an additional 1,304 acres. Further drilling is anticipated. Gas has also been established in four wells on Company lands at Marten Hills East, Alberta. This acreage, in which Sunningdale holds interests varying from 50 per cent to 12½ per cent, has potential for future heavy oil development as well as additional gas potential. Several other gas discoveries were made in Alberta but remain under confidential status.

Oil was discovered in three wells in southeastern Saskatchewan and in one well offsetting the Joffre D-2 oil pool in Alberta. In May 1974, a group in which Sunningdale has 20 per cent interest drilled a well near Taber, Alberta, which was completed as an oil well. The group

also acquired additional acreage situated between the discovery well and the Taber oil field. Further drilling by the group is planned in the area in the immediate future.

The Willesden Green area, Alberta, where Sunningdale holds a 33⅓ per cent interest in 39,840 acres, has seen the successful completion of several wells by other operators, including an oil well less than one mile from Company acreage. This acreage is prospective in several horizons and early drilling is contemplated.

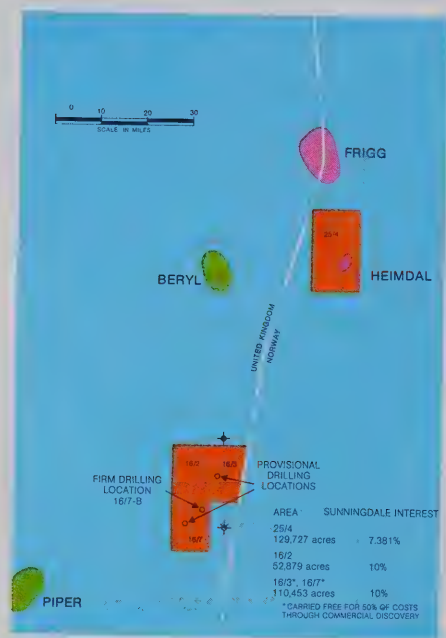
NORWAY

Sunningdale participates in the group which in 1972 discovered the Heimdal gas and condensate field on Block 25/4 offshore Norway. In December, 1973, a second exploratory well drilled 3.3 miles East North East of the discovery well encountered hydrocarbons in the same formation. On April 9, 1974, the field was declared to be commercially exploitable.

Sunningdale has 7.381 per cent interest in the block, which is subject to reduction to 3.875 per cent if the Norwegian state oil company, Statoil, exercises in full its option to acquire 40 per cent working interest.

A new seismic program will be shot this summer for more precise cal-

REVIEW OF OPERATIONS



REVIEW OF OPERATIONS

culuation of Heimdal reserves and to provide detail on other prospects in block 25/4.

A development program for Heimdal has been drafted and engineering and cost studies are under way. Several options are available for the disposition of Heimdal gas, including delivery via the Frigg system to the United Kingdom. Discussions are being held with Norwegian authorities on the subject.

UNITED KINGDOM

Sunningdale has interests in five blocks in three areas offshore the United Kingdom and, with its partners, has completed seismic surveys which have shown anomalies in all five blocks.

In the North Sea, Sunningdale has five per cent working plus five per cent carried interest in blocks 16/3 and 16/7. This total 10 per cent is subject to reduction to eight per cent if the British National Coal Board exercises its option to 20 per cent working interest on discovery of petroleum in commercial quantities. The Company also has 10 per cent working interest in block 16/2. The newly commissioned semi-submersible drilling rig, Odin Drill, has



been contracted and the initial well on block 16/7 is planned to spud in August, 1974, to test down to and including the Jurassic. The Company and its partners have committed to a further two drilling "slots" with Odin Drill for 1974/75.

A well is scheduled to be drilled, probably in 1975, on a substantial structure in block 103/22 in the Celtic Sea where Sunningdale has 8.33 per cent working interest. A decision whether to drill block 206/14 west of the Shetlands, where Sunningdale also has 8.33 per cent interest, will be made when further regional information is available.

NETHERLANDS

Detailed seismic surveys have shown two anomalies in block P/4 offshore Netherlands where Sunningdale has 9.89 per cent working interest. Further evaluation is required before a decision can be made whether to drill these features. The Company also has 13.5

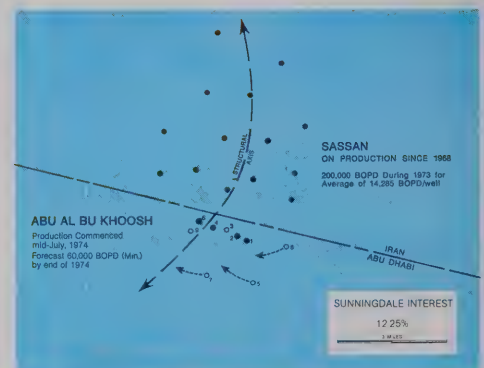
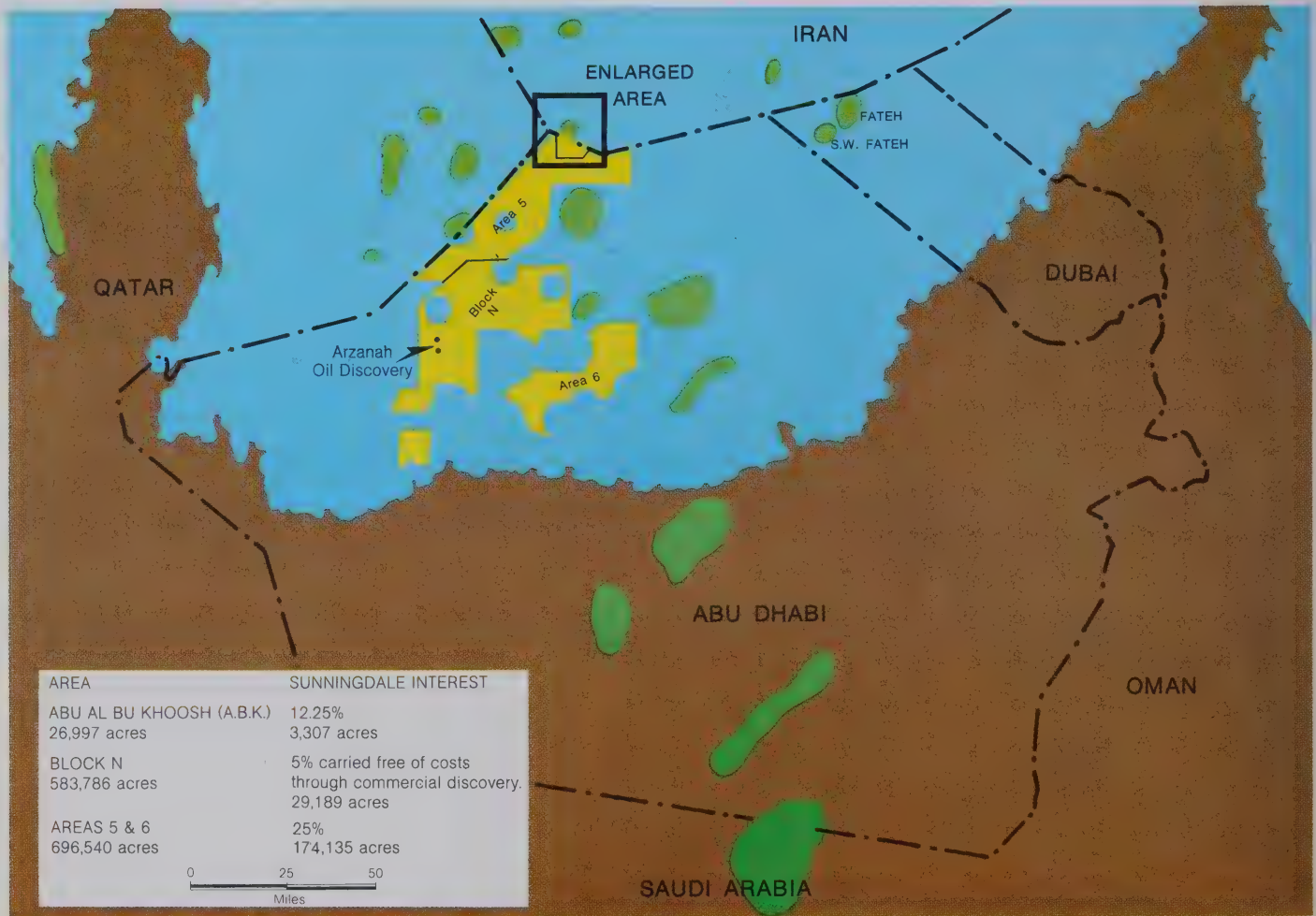
per cent interest in block Q/14 which lies only a few miles off the coast of Holland. Seismic data have proved difficult to evaluate, but prospects are presently regarded as being of only moderate interest.

NEW VENTURES IN THE NORTH SEA

Sunningdale, in association with two partners, submitted an application when the Norwegian government invited bids on 32 blocks offshore Norway in July, 1973. Although this application is not among those now being negotiated by the Norwegian Ministry of Industry, Sunningdale and its partners hope to be considered when the second series of allocations is discussed at a future date.

Sunningdale has joined strong groups and is acquiring and evaluating seismic data in readiness for the next round of licensing in prospective areas offshore the United Kingdom and offshore the Republic of Ireland.

REVIEW OF OPERATIONS



REVIEW OF OPERATIONS

ABU DHABI

Sunningdale now holds three separate interests offshore Abu Dhabi: 12.25 per cent in the Abu Al Bu Khoosh field which is now producing (see page 8), and interests in exploration concessions N and Areas 5 and 6.

Concession N was originally awarded in June, 1970. In October, 1971 the first exploratory well was abandoned as a non-commercial gas well. The second exploratory test, Arzanah 1, was spudded in August, 1973 and drilled to total depth of 12,392 feet. Hydrocarbons were tested from several zones indicating a production potential in excess of 4,000 barrels per day of high gravity, low sulphur oil. Arzanah 2 was spudded immediately thereafter in December, 1973 at a location three miles south of the discovery well. Oil was also tested from this well, in excess of 5,000 barrels per day. Further drilling is required to determine the commerciality of the discovery. Drilling will be resumed as soon as a rig can be secured. Sunningdale has a five per cent interest carried free through commercial discovery.

Areas 5 and 6, offshore Abu Dhabi, were awarded on March 6, 1974 to a group of Canadian oil companies headed by Sunningdale, whose application was successful despite considerable competition. The Company has 25 per cent interest and is operator. Between April and June, 1974, 1,176 miles of seismic was completed within area 5. Processing of this seismic is under-way.

REPUBLIC OF THE MALDIVES

Sunningdale holds 15.675 per cent interest in a concession covering almost 15 million acres offshore the Republic of the Maldives. In 1973, some 1,200 miles of seismic was shot. The results were encouraging and upgraded the potential of the Maldivian Basin. In early 1974, a further 1,250 miles was shot and after this survey has been interpreted, a further 850 miles will be shot in October. The group hopes to be in a position to drill the first exploratory test in 1975.

SICILY

Sunningdale has 7.5 per cent interest in two blocks, totalling 110,119 acres offshore Sicily. A seismic program was completed in 1973 and further seismic was shot in March, 1974 to define more accurately two anomalies.

TUNISIA

Sunningdale has 33.3 per cent interest in the Kuriate concession. Seismic programs have been evaluated and potential drilling locations are being studied.

Sunningdale has 37.5 per cent interest and is operator of the Hammamet Nord concession awarded in September, 1973. Seismic has been shot and interpretation shows several prospective anomalies.

MALI

In the central African Republic of Mali, a concession of 4,015,537 acres has been awarded to a group in which Sunningdale has 9.5 per cent working interest. A seismic survey is scheduled for later this year.

VIET NAM

On September 5, 1973, Sunningdale, as operator of a four company group, signed two offshore exploration concessions with the government of the Republic of Viet Nam. The concessions total 3,396,714 acres.

Four thousand miles of seismic has been shot over the two blocks and data are being evaluated. Preliminary results are encouraging. The group plans to drill one well on each block in 1975. Sunningdale's interest is 25 per cent.

FIJI

An interest of 6¼ per cent has been acquired in an exploration licence covering 753,063 acres. A seismic survey is presently being evaluated.

RESERVES AND PRODUCTION

CANADA

Total Canadian recoverable oil reserves, proven and probable and before royalty, increased from 1,882,000 barrels to 2,320,000 barrels, while gas reserves estimated on the same basis have increased from 7.50 billion cubic feet to 23.65 billion cubic feet.

Sunningdale produced 57,651 barrels of oil during the past year from Pembina and Steelman. The rate of Company production at the end of the fiscal year was approximately 195 barrels of oil per day. All of the Company gas is shut in awaiting market. Gas reserves at Siphon East are close to pipeline and first production is anticipated in 1974.

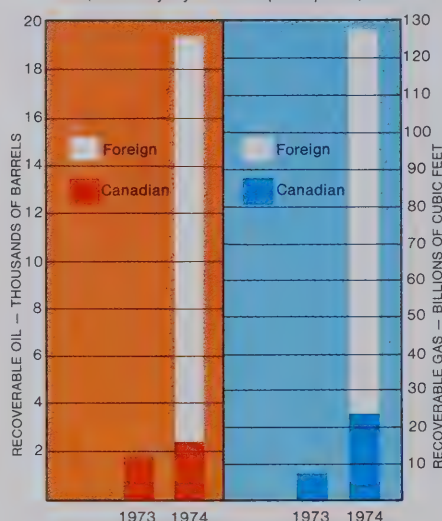
OVERSEAS

Abu Al Bu Khoosh: $12.25\% \times 140$ million barrels = 17.15 million barrels.

Heimdal: The Norwegian Ministry of Industry, in a report to the Storting has given a figure of 40 billion cubic metres (1.4 trillion cubic feet). Sunningdale's share, before royalty and government participation, is 104 billion cubic feet. Sunningdale regards this as a most conservative estimate.

SUNNINGDALE OILS LIMITED

OIL AND GAS RESERVES PROVEN AND PROBABLE (before royalty and state participation)



ABU DHABI

In July, 1974 commercial production started from the Abu Al Bu Khoosh field offshore Abu Dhabi.

Current production of 30,000 barrels per day will increase to approximately 60,000 barrels per day by December, 1974. Primary recoverable reserves are estimated at 140 million barrels. Sunningdale has 12.25 per cent equity in the field, giving anticipated Company production of 7,350 barrels per day and reserves of 17.15 million barrels. Compagnie Francaise des Petroles holds 51 per cent and is operator. New England Exploration Company has 24.5 per cent and Amerada Hess Corporation has 12.25 per cent.

The first development well spudded on October 28, 1973 from the jack-up rig Rowan Texas. Nine

wells will be completed, including the original well AK-1 drilled by Abu Dhabi Marine Areas in 1968. Production will be pumped to a captive tanker permanently moored to a single buoy mooring system three thousand feet from the production platform. The tanker has a capacity of 95,000 tons crude oil storage and as required, approximately every seven to ten days, a mobile tanker will moor alongside the captive tanker and load the crude. This method of development avoids the need for a pipeline and shore installations and has enabled the field to be put on stream quickly with minimum capital investment.

The initial investment budget of \$47.5 million has been increased by inflation. Amerada Hess has agreed to finance all the Company's share of acquisition and development costs to a maximum drawdown against the Company's interests of \$6,250,000. Amerada will recover funds advanced on behalf of Sunningdale out of Sunningdale's share of production. At current realized prices for crude oil, pay-out is anticipated in late 1975. Thereafter, the field should generate substantial cash flow for the Company.

RESERVES AND PRODUCTION

DUBAI JOINT VENTURE

A joint venture agreement has been concluded between the Emirate of Dubai and a wholly-owned subsidiary of Sunningdale Oils Ltd. to develop a natural gas industry within the State. The Government has 55 per cent equity in the joint venture, the subsidiary of Sunningdale has 33.75 per cent, and other interests have 11.25 per cent. Sunningdale Oils (Dubai) Ltd., a Bermuda company, is project operator. The term of the joint venture is 15 years from the commencement of production, after which the project reverts to the Government of Dubai. The initial phase of the joint venture project will be to transport the associated gas from Fateh and Southwest Fateh fields by pipeline approximately 60 miles to the Dubai mainland, remove the natural gas liquids in an LPG plant to be constructed, and deliver dry gas to the Dubai government for internal consumption. The liquids will be exported to world markets. Sunningdale has the responsibility to design, construct and manage a gas utility system within Dubai. Engineering design studies are under way, coupled with reservoir evaluation and economic studies related to project financing and LPG marketing. Consulting firms of international standing are assisting in these studies. A comprehensive plan for gathering, processing and marketing is to be tabled with the Government of Dubai before the end of September, 1974. Throughout the term of the joint venture, Sunningdale will be responsible to develop additional reserves of natural gas to satisfy the projected demands of the State and ultimately to leave the State with an integrated natural gas industry.

Reserves ¹	1974	1973
Crude Oil - Proven and Probable ²	19.45 million bbl.	1.8 million bbl.
Natural Gas - Proven and Probable ³	127.65 billion cu. ft.	7.5 billion cu. ft.
Acreage		
Gross	26,559,744	19,785,076
Net	4,618,380	4,973,706
Working Capital	\$ 3,853,456	\$ 1,242,863
Debt	None	None

Footnotes:

1. All reserves are calculated net to the Company's interest before royalty and government participation where applicable.
 2. Includes 17.15 million barrels at Abu Al Bu Khoosh but does not include reserves at Arzanah.
 3. Includes Company's share of published reserve estimate of 40 billion cu. meters (1.4 trillion cu. ft.) for Heimdal.
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SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS AT APRIL 30, 1974

Assets	1974	1973
CURRENT ASSETS		
Cash	\$ 3,555,767	\$1,427,213
Accounts receivable	902,592	113,589
Prepaid expenses and deposits	110,902	18,868
	<u>4,569,261</u>	<u>1,559,670</u>
FIXED ASSETS, at cost (Note 1)		
Petroleum and natural gas leases and rights including equipment and development thereon		
Producing — Canada	598,816	522,852
Accumulated depletion and depreciation	36,661	20,368
	<u>562,155</u>	<u>502,484</u>
Non-producing — Canada	1,066,629	757,166
— Foreign	3,979,960	3,694,185
Furniture and equipment (less accumulated depreciation of \$15,665; 1973 — \$6,072)	31,496	20,305
	<u>5,640,240</u>	<u>4,974,140</u>
INVESTMENTS, at nominal value	4	20,569
	<u>\$10,209,505</u>	<u>\$6,554,379</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 715,805	\$ 316,807
Shareholders' Equity		
CAPITAL STOCK (Note 3)		
Authorized 5,000,000 common shares without nominal or par value		
Issued 4,058,000 (1973 — 3,490,000) shares	13,151,199	8,122,360
DEFICIT	3,657,499	1,884,788
	<u>9,493,700</u>	<u>6,237,572</u>
Approved on behalf of the Board:		
Howard Stuart McColl, Director		
James Simpson Palmer, Director		
	<u>\$10,209,505</u>	<u>\$6,554,379</u>

SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

FOR THE YEAR ENDED APRIL 30, 1974

	1974	1973
REVENUE		
Oil and gas sales	\$ 207,347	\$ 158,684
Interest	212,196	131,085
Gain on sale of properties and other revenue	—	48,077
	<u>419,543</u>	<u>337,846</u>
EXPENSES		
Production expense	105,872	99,852
Exploration expense	1,021,682	598,943
Dry hole costs	195,241	14,487
Property surrenders	51,879	97,895
General and administrative	791,694	454,232
Depletion and depreciation	25,886	24,510
	<u>2,192,254</u>	<u>1,289,919</u>
LOSS FOR THE YEAR	1,772,711	952,073
Deficit at beginning of year	1,884,788	932,715
DEFICIT AT END OF YEAR	<u>\$ 3,657,499</u>	<u>\$1,884,788</u>
LOSS PER SHARE		
Based on the weighted average number of shares outstanding	<u>\$.46</u>	<u>\$.28</u>

SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED APRIL 30, 1974

	1974	1973
SOURCE OF WORKING CAPITAL		
Issue of shares (Note 3)	\$ 5,028,839	\$2,557,542
Proceeds on sale of properties	—	80,771
Capital expenditures recovered	461,269	—
	<u>5,490,108</u>	<u>2,638,313</u>
APPLICATION OF WORKING CAPITAL		
In operations		
Loss for the year	1,772,711	952,073
Items not involving funds	70,535	74,319
	<u>1,702,176</u>	<u>877,754</u>
Acquisition of petroleum and natural gas leases and rights together with exploration and development thereon	1,177,339	1,317,436
Investments and advances	—	20,566
	<u>2,879,515</u>	<u>2,215,756</u>
INCREASE IN WORKING CAPITAL	2,610,593	422,557
Working capital at beginning of year	1,242,863	820,306
WORKING CAPITAL AT END OF YEAR	<u>\$ 3,853,456</u>	<u>\$1,242,863</u>

AUDITORS' REPORT

To the Shareholders
Sunningdale Oils Limited

We have examined the consolidated balance sheet of Sunningdale Oils Limited as at April 30, 1974 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at April 30, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 28, 1974.

(signed) RIDDELL, STEAD & CO.
Chartered Accountants

SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO 1974 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

b) Fixed Assets

The Companies follow the accounting policies of charging exploration expenses and carrying charges of properties to income as incurred. Lease and other property acquisition costs are capitalized and are charged to earnings if the property is subsequently abandoned. The costs of drilling productive wells are capitalized and costs of unproductive wells are charged to earnings when determined to be dry. The costs of producing leases and producing wells are depleted using the unit of production method based on estimated recoverable quantities of oil and gas as determined by Company engineers.

c) Foreign Exchange

Amounts in foreign currency are converted to Canadian dollars on the following basis:

- i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii) Fixed assets, at the average rate of exchange for the years in which the assets were acquired; and
- iii) Revenue and expenses, at the average rate of exchange for the year.

NOTE 2 COMMITMENTS AND CONTINGENT LIABILITIES

The Company estimates that its share of the costs of performing its work commitments under exploration and production permits and licenses, together with the costs of completing its exploration programs as presently planned, is approximately \$5.8 million. These commitments are secured, in part, by a debenture constituting a first floating charge on all assets (except the oil, gas and petroleum assets in and offshore Canada) and by the shares of the Company's United Kingdom subsidiary.

The Company has guaranteed the obligations of an exploration partner to the extent of approximately \$700,000.

NOTE 3 CAPITAL STOCK

a) Changes in Capital Stock

During the year the Company sold 500,000 common shares for \$4,845,339 (net of expenses of issue) and sold 68,000 common shares for \$183,500 on exercise of employee stock options.

b) Options and Warrants to Purchase Capital Stock

As at April 30, 1974 options and warrants to purchase 319,000 common shares of the Company's capital stock were outstanding at prices ranging from \$2.60 to \$13.00, exercisable at various dates prior to December 20, 1978.

NOTE 4 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year the Company paid \$184,000 to its directors and senior officers.

Board of Directors

*Angus A. Mackenzie
Chairman of the Board
London, England

*H. Stuart McColl
President
Calgary, Canada

David R. Nussbaum
Greyhound International Financial
Services Ltd.
London, England

*James S. Palmer
Burnet, Duckworth and Palmer,
Solicitors
Calgary, Canada

Michael P. Pick
Charterhouse Canada, Limited
Toronto, Canada

Thatcher L. Townsend
Wachovia International
Investment Corporation
Winston-Salem, North Carolina

Sir Kennedy T. Trevaskis,
K.C.M.G., O.B.E.
London, England

Christopher S. Tugendhat, M.P.
London, England

*Executive Committee Member

Corporate Headquarters

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Calgary, Alberta, Canada T2P 0X8
Telephone: (403) 261-3092
Telex: 038-25645

International Offices

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London, W. 1
Telephone: (01) 492-0315
Telex: 51-27506

Officers

Angus A. Mackenzie
Chairman

H. Stuart McColl
President

James S. Palmer
Secretary-Treasurer

Lawrence H. Payne
Vice President

Transfer Agent and Registrar
The Canada Trust Company

Auditors

Riddell, Stead & Co.

Bankers

The Toronto Dominion Bank
Calgary, Canada and
London, England

Den norske Creditbank
Oslo, Norway

Bank of America
Saigon, Viet Nam

National Bank of Dubai
Dubai

National Bank of Abu Dhabi
Abu Dhabi

Legal Counsel

Burnet, Duckworth and Palmer
800 Royal Bank Building, Calgary

Withers
20 Essex Street, Strand
London, W.C. 2



Company production facilities at
Pembina, Alberta.



SUNNINGDALE OILS LIMITED
1974 ANNUAL REPORT